

Message Text

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ORIGIN ACDA-12

INFO OCT-01 ARA-10 EUR-12 ISO-00 PM-05 FEA-01 CIAE-00
INR-07 IO-13 L-03 NSAE-00 NSC-05 EB-08 NRC-05
OES-07 DODE-00 ERDA-05 SS-15 SP-02 /111 R

DRAFTED BY ACDA: R WILLIAMSON/L WATSON:BJB
APPROVED BY OES/NET: L V NOSENZO
ARA/ECA: F RONDON (DRAFT)
ARA/AND/P: A FULLER (DRAFT)
PM/NPP: A LOCKE (DRAFT)
DOE: R SLAWSON
L/OES: R BETTAUER (DRAFT)
OES/NET/EIC: D HOYLE (DRAFT)
IO/SCT: A JILLSON (INFO)
T/D: D WELCH (DRAFT)
S/AS:PFARLEY (INFO)
ACDA/GC:HMARSHALL

-----107728 121515Z /53

P 121040Z NOV 77
FM SECSTATE WASHDC
TO AMEMBASSY LIMA PRIORITY
AMEMBASSY BUENOS AIRES PRIORITY
INFO AMEMBASSY VIENNA PRIORITY

C O N F I D E N T I A L STATE 271702

USIAEA

E.O. 11652: GDS

TAGS: TECH, ENRG, IAEA, AR, PE, PARM

SUBJECT: U.S. FUEL FOR ARGENTINE REACTOR LOAN TO PERU

REF: STATE 269711

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1. PER REFTTEL, TRANSMITTED HEREIN ARE SUBSTANTIVE
PORTIONS OF NOTES TO BE DELIVERED AS SOON AS POSSIBLE TO
GOVERNMENTS OF ARGENTINA AND PERU. THESE NOTES PROPOSE
POSSIBLE COURSES OF ACTION TO DEVELOP NECESSARY SUPPLY
ARRANGEMENTS FOR U.S. ORIGIN FUEL.

2. FOR LIMA. FOLLOWING IS SUBSTANTIVE PORTION OF NOTE
DIRECTED TO GOP: QUOTE

DURING THE COURSE OF RECENT CONSULTATIONS, THE GOVERN-

MENT OF ARGENTINA EXPRESSED THE DESIRE TO TRANSFER A QUOTE ZERO-POWER UNQUOTE RESEARCH REACTOR, ON A LOAN BASIS WITH THE OPTION OF SUBSEQUENT PURCHASE, FROM ARGENTINA TO PERU. TO FUEL THIS REACTOR, THE GOVERNMENT OF ARGENTINA PROPOSED TO TRANSFER US-ORIGIN FUEL CONSISTING OF APPROXIMATELY 14.8 KILOGRAMS OF URANIUM, ENRICHED TO APPROXIMATELY 20 PER CENT.

UNDER OUR EXISTING BILATERAL AGREEMENT FOR COOPERATION WITH ARGENTINA, NO SUCH MATERIALS MAY BE TRANSFERRED OUTSIDE THE JURISDICTION OF ARGENTINA EXCEPT AS THE UNITED STATES MAY APPROVE IN ADVANCE AND THEN ONLY IF AN AGREEMENT FOR COOPERATION IS IN EFFECT BETWEEN THE UNITED STATES AND THE RECIPIENT NATION OR GROUP OF NATIONS. SUCH AGREEMENTS SPECIFY THE RESPECTIVE RIGHTS AND OBLIGATIONS OF THE PARTIES, INCLUDING MEASURES CONCERNING NON-PROLIFERATION AND THE PHYSICAL PROTECTION OF MATERIALS, AND SPECIFY THE NATURE AND SCOPE OF COOPERATION.

IN THIS CASE, THIS REQUIREMENT COULD BE MET THROUGH THE NEGOTIATION AND ENTRY INTO FORCE OF A BILATERAL AGREEMENT FOR COOPERATION BETWEEN THE UNITED STATES AND PERU OR, ALTERNATIVELY, THROUGH AN AGREEMENT AMONG THE CONFIDENTIAL

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INTERNATIONAL ATOMIC ENERGY AGENCY, AND THE GOVERNMENTS OF PERU, ARGENTINA, AND THE UNITED STATES PURSUANT TO THE EXISTING AGREEMENT FOR COOPERATION BETWEEN THE UNITED STATES AND THE IAEA.

THE UNITED STATES NOTES THE FACT THAT PERU IS A PARTY TO THE TREATY ON THE NON-PROLIFERATION OF NUCLEAR WEAPONS AND THE TREATY OF TLAELOLCO. MOREOVER, THE USG APPRECIATES THE HELPFUL STANCE WHICH THE GOP HAS TAKEN IN POINTING OUT TO OTHERS THE DANGERS OF FURTHER NUCLEAR WEAPONS PROLIFERATION AND THE IMPORTANCE OF RAPID MOVEMENT TO BRING THE LATIN AMERICAN NUCLEAR FREE ZONE FULLY INTO EFFECT.

IN THE INTEREST OF STRENGTHENING THE FRIENDLY BILATERAL RELATIONS BETWEEN OUR TWO COUNTRIES AND TO FOSTER COOPERATION IN THE PEACEFUL USES OF ATOMIC ENERGY, THE GOVERNMENT OF THE UNITED STATES IS PREPARED TO MOVE AS EXPEDITIOUSLY AS POSSIBLE TO NEGOTIATE AN APPROPRIATE AGREEMENT FOR COOPERATION WITH THE GOVERNMENT OF PERU.

IN THAT REGARD, IT SHOULD BE NOTED THAT LEGISLATION IS NOW PENDING BEFORE THE UNITED STATES CONGRESS WHICH WILL CODIFY UNITED STATES POLICY WITH RESPECT TO NEGOTIATION OF AGREEMENTS FOR COOPERATION. ONCE NEGOTIATED, AGREEMENTS FOR COOPERATION REQUIRE CONGRESSIONAL REVIEW. CONSEQUENTLY, IT APPEARS UNLIKELY THAT AN

AGREEMENT WITH PERU COULD BE IN EFFECT BEFORE MID-1978 AT THE EARLIEST, AND FURTHER DELAYS COULD NOT BE RULED OUT. ON THE OTHER HAND, THE USG BELIEVES THAT AN AGREEMENT WITH THE IAEA PURSUANT TO THE EXISTING U.S. IAEA AGREEMENT FOR COOPERATION COULD BE DEVELOPED LOOKING TOWARD ITS SUBMISSION TO THE IAEA BOARD OF GOVERNORS FOR APPROVAL AT THEIR NEXT MEETING IN LATE FEBRUARY. SINCE

THE USG UNDERSTANDS THAT THE GOVERNMENT OF PERU WOULD
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PREFER TO SEE THIS MATTER SPEEDILY CONCLUDED, AN AGREEMENT WITH THE IAEA WOULD APPEAR TO BE PREFERABLE. HOWEVER, LOOKING TOWARD THE FUTURE, THE USG IS ALSO PREPARED IN DUE COURSE TO CONCLUDE A BILATERAL AGREEMENT WHICH WOULD MAKE POSSIBLE A WIDER RANGE OF NUCLEAR COOPERATION THAN WOULD BE COVERED BY THIS PARTICULAR AGREEMENT.

THE GOVERNMENT OF THE UNITED STATES UNDERSTANDS THAT THE GOVERNMENT OF PERU INTENDS TO CONCLUDE IN THE NEAR FUTURE THE SAFEGUARDS AGREEMENT FOR THE APPLICATION OF IAEA SAFEGUARDS IN PERU PURSUANT TO THE NPT AND THE TREATY OF TLATELOLCO. COMPLETION OF SUCH AN AGREEMENT WOULD, OF COURSE, HAVE TO BE ACCOMPLISHED PRIOR TO THE ACTUAL TRANSFER OF US MATERIALS FROM ARGENTINA TO PERU.

UPON RECEIPT OF AN INDICATION OF THE GOP'S PREFERENCES IN THIS MATTER, THE USG WOULD BE PREPARED TO ENTER INTO NEGOTIATIONS IN THE VERY NEAR FUTURE. ASSUMING THE GOP PREFERS A TRANSFER VIA THE IAEA, THE USG SUGGESTS SUCH NEGOTIATIONS BE UNDERTAKEN PROMPTLY WITH A VIEW TO SUBMISSION OF THE AGREEMENT IN TIME FOR THE FEBRUARY MEETING OF THE IAEA BOARD OF GOVERNORS. IN ADDITION, SINCE ONE PROVISION WHICH WOULD NEED TO BE MET TO PERMIT THE PROPOSED TRANSFER WOULD BE ADEQUATE PHYSICAL PROTECTION OF THE NUCLEAR MATERIAL, WE WOULD ALSO BE PREPARED TO SEND A TEAM OF EXPERTS TO REVIEW SUCH PHYSICAL SECURITY PLANS FOR PERU IN DECEMBER, IN ORDER TO EXPEDITE PROSPECTS FOR EARLY IMPLEMENTATION OF THE AGREEMENT ONCE IT IS APPROVED BY THE CONCERNED PARTIES.

THE UNITED STATES WOULD APPRECIATE LEARNING THE VIEWS OF THE GOVERNMENT OF PERU ON THIS MATTER AS SOON AS POSSIBLE. WE HAVE CONVEYED SIMILAR VIEWS TO THE GOVERNMENT
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OF ARGENTINA. END QUOTE

3. FOR BUENOS AIRES. FOLLOWING IS SUBSTANTIVE PORTION OF NOTE DIRECTED TO GOA: QUOTE

THE USG IS AWARE OF ARGENTINA'S INTEREST IN TRANSFERRING A QUOTE ZERO POWER UNQUOTE RESEARCH REACTOR TO PERU ON A LOAN BASIS WITH THE OPTION OF SUBSEQUENT PURCHASE. THE PROPOSED FUEL FOR THIS REACTOR IS OF US-ORIGIN AND CONSISTS OF APPROXIMATELY 14.8 KILOGRAMS OF URANIUM ENRICHED TO APPROXIMATELY 20 PERCENT.

UNDER OUR EXISTING BILATERAL AGREEMENT FOR COOPERATION, NO SUCH MATERIALS MAY BE TRANSFERRED OUTSIDE THE JURISDICTION OF ARGENTINA EXCEPT AS THE UNITED STATES MAY APPROVE IN ADVANCE AND THEN ONLY IF AN AGREEMENT FOR COOPERATION IS IN EFFECT BETWEEN THE UNITED STATES AND THE RECIPIENT NATION OR GROUP OF NATIONS. SUCH AGREEMENTS SPECIFY THE RESPECTIVE RIGHTS AND OBLIGATIONS OF THE PARTIES, INCLUDING MEASURES CONCERNING NON-PROLIFERATION AND THE PHYSICAL PROTECTION OF MATERIALS, AND SPECIFY THE NATURE AND SCOPE OF COOPERATION.

IN THIS CASE, THIS REQUIREMENT COULD BE MET THROUGH THE NEGOTIATION AND ENTRY INTO FORCE OF A BILATERAL AGREEMENT FOR COOPERATION BETWEEN THE UNITED STATES AND PERU OR, ALTERNATIVELY, THROUGH AN AGREEMENT AMONG THE INTERNATIONAL ATOMIC ENERGY AGENCY, AND THE GOVERNMENTS OF ARGENTINA, PERU, AND THE UNITED STATES PURSUANT TO THE EXISTING AGREEMENT FOR COOPERATION BETWEEN THE UNITED STATES AND THE IAEA.

THE UNITED STATES APPRECIATES ARGENTINA'S COMMITMENT TO THE PEACEFUL USES OF NUCLEAR ENERGY AND ITS INTEREST IN FOSTERING COOPERATION IN THE PEACEFUL USES OF ATOMIC ENERGY. IN LIGHT OF THIS, AND THE FACT THAT PERU IS A CONFIDENTIAL

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PARTY TO BOTH THE TREATY ON THE NON-PROLIFERATION OF NUCLEAR WEAPONS AND THE TREATY OF TLAZOLCO, AND INTENDS TO CONCLUDE THE REQUIRED SAFEGUARDS AGREEMENT PURSUANT TO THESE AGREEMENTS WITH THE IAEA IN THE NEAR FUTURE, THE UNITED STATES GOVERNMENT IS PREPARED TO MOVE AS EXPEDITIOUSLY AS POSSIBLE TO NEGOTIATE AN APPROPRIATE AGREEMENT FOR COOPERATION WITH THE GOVERNMENT OF PERU.

IN THAT REGARD, IT SHOULD BE NOTED THAT LEGISLATION IS NOW PENDING BEFORE THE UNITED STATES CONGRESS WHICH WILL CODIFY UNITED STATES POLICY WITH RESPECT TO NEGOTIATION OF AGREEMENTS FOR COOPERATION. ONCE NEGOTIATED, AGREEMENTS FOR COOPERATION REQUIRE CONGRESSIONAL REVIEW. CONSEQUENTLY IT APPEARS UNLIKELY THAT AN AGREEMENT WITH PERU COULD BE IN EFFECT BEFORE MID-1978 AT THE EARLIEST, AND FURTHER DELAYS COULD NOT BE RULED OUT. HOWEVER, WE BELIEVE THAT A FOUR PARTY AGREEMENT WITH THE IAEA COULD

BE DEVELOPED LOOKING TOWARD ITS SUBMISSION TO THE IAEA BOARD OF GOVERNORS FOR APPROVAL AT THEIR NEXT MEETING IN LATE FEBRUARY, THUS PREVENTING ANY SERIOUS DELAYS IN THIS PROPOSED TRANSFER. SINCE WE UNDERSTAND THAT IT IS THE DESIRE OF BOTH THE GOVERNMENTS OF ARGENTINA AND PERU TO SEE THIS MATTER SPEEDILY CONCLUDED, AN AGREEMENT WITH THE IAEA WOULD APPEAR TO BE PREFERABLE.

UPON RECEIPT OF AN INDICATION OF THE PREFERENCES OF THE GOVERNMENT OF ARGENTINA, IN THIS MATTER, THE US WOULD BE PREPARED TO ENTER INTO NEGOTIATIONS IN THE VERY NEAR FUTURE. ASSUMING BOTH YOU AND THE GOVERNMENT OF PERU PREFER A TRANSFER VIA THE IAEA, WE SUGGEST SUCH NEGOTIATIONS BEGIN AT AN EARLY DATE IN VIENNA BY OUR RESPECTIVE MISSIONS TO THE IAEA AND THE AGENCY SECRETARIAT. THE U.S.,
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FOR ITS PART, WILL MAKE EVERY EFFORT TO COMPLETE SUCH NEGOTIATIONS IN TIME FOR THE FEBRUARY MEETING OF THE IAEA BOARD OF GOVERNORS.

THE UNITED STATES IS INTERESTED IN HELPING ARGENTINA EFFECT THIS TRANSFER AS SOON AS POSSIBLE UNDER EXISTING LEGISLATIVE REQUIREMENTS, AND WE WOULD APPRECIATE LEARNING THE VIEWS OF THE GOVERNMENT OF ARGENTINA ON THIS MATTER IN THE NEAR FUTURE. WE HAVE CONVEYED SIMILAR VIEWS TO THE GOVERNMENT OF PERU. END QUOTE.

4. EMBASSY SHOULD ALSO CONVEY TO DR. COLL, NATIONAL COMMISSION FOR ATOMIC ENERGY FROM DEPUTY ASSISTANT SECRETARY NOSENZO (IN RESPONSE TO CONCERNS EXPRESSED BY COLL AT NOVEMBER INFCE MEETING) THAT U.S. IS IN PROCESS OF PREPARING DRAFT FOUR PARTY AGREEMENT TO BE FURNISHED TO U.S. MISSION-IAEA SHORTLY FOR USE AS BASIS FOR EARLY NEGOTIATIONS. VANCE

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